



**MONTANA
TEACHERS' RETIREMENT SYSTEM**

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TRS Office Use Only

TERMINATION PAY - IRREVOCABLE ELECTION FORM

READ INSTRUCTIONS ON REVERSE SIDE.

ALL REQUESTED INFORMATION MUST BE PRINTED OR TYPED LEGIBLY IN DARK INK.

MEMBER INFORMATION:

(Member's Printed Name)

____ - ____ - ____
(Social Security Number)

(Home Mailing Address – Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code))

(Area Code and Telephone Number)

(Date of Birth)

I hereby elect to use termination pay in the calculation of average final compensation in compliance with option:

OPTION 1	I elect to add the total amount of my termination pay to the three highest consecutive salaries used in the calculation of my "average final compensation" (AFC). My employer and I shall pay the required contributions to the retirement system, to adequately compensate the Montana Teachers' Retirement System (TRS) for the additional benefit.	Initial one option
OPTION 2	I elect to add a portion of my termination pay to the three highest consecutive salaries. I understand that the termination pay is divided by my total years of creditable service to determine a yearly amount. The yearly amount of termination pay is then added to each of the three consecutive year's salary used in the calculation of my AFC. My employer and I shall pay the required contributions to the retirement system, to adequately compensate the TRS for the additional benefit.	

At the time of my termination and retirement, I hereby direct my employer to deduct from my termination pay the contributions due the TRS. I further understand that my contributions will be withheld on a tax-deferred basis and remitted to the TRS, by the employer. I acknowledge I have read and understand the Termination Pay-Irrevocable Election Instructions on the backside of this form. By signing below I acknowledge that I am entering into an irrevocable contract.

(Member's Printed Name)

(Member's Signature)

(Date)

EMPLOYER INFORMATION:

(Name of School District)

(TRS Six Digit Employer Number)

(Mailing Address – Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code))

(Area Code and Telephone Number)

By signing this form, the employer acknowledges their obligation to remit to the TRS all employee and employer contributions due on the total termination pay amount payable to the employee.

(Certifying Officer's Printed Name)

(Title)

(Certifying Officer's Signature)

(Date)

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992, ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST.

TERMINATION PAY - IRREVOCABLE ELECTION INSTRUCTIONS

A Montana Teachers' Retirement System (TRS) member, pursuant to §19-20-716, MCA, is permitted to pay additional employee contributions to the TRS in order to include termination pay in the calculation of their monthly benefit. The employee contribution due the TRS will be deducted from the termination pay and remitted to the TRS on a tax-deferred basis. I understand that tax-deferral of the employee contributions on termination pay, due to the TRS, requires execution of this irrevocable payroll reduction authorization. The employer is required to withhold and remit to the TRS my employee contributions from my termination pay. With respect to this reduction, I understand the following:

- The Termination Pay – Irrevocable Election is only valid with my current employer. I understand if I change employers, I must sign a new Termination Pay – Irrevocable Election authorization.
- This is an irrevocable reduction authorization. The statute governing this option, §19-20-716, MCA, requires that I use “**the total**” termination pay amount available at the time of my resignation **and** retirement in the calculation of average final compensation (AFC).
- The binding irrevocable election form is not effective until signed by me, the TRS member, and a certifying officer for the employer.
- The withholding and remittance of tax-deferred contributions is only effective if the irrevocable election form is executed at least **90** days prior to my last day of employment.
- Contributions due the TRS must be deducted from the gross amount of my termination pay, being paid at the time of my resignation and retirement. Any payout of accrued sick leave and/or vacation time being paid to me prior to my resignation and retirement, or any deferred payouts are not reportable to TRS.
- Termination pay does not include the option to take cash or have the amount payable applied toward future insurance premiums.
- After the execution of this Termination Pay – Irrevocable Election Form, I do **not** have the option of receiving the tax-deferred employee contributions. The employer must remit the employee contributions directly to the TRS.
- Any portion of my termination pay that is required to be contributed by my employer to a Voluntary Employee Benefit Association (VEBA) will reduce the maximum amount of termination pay that can be reported to TRS.
- If employee contributions due the TRS exceed the available funds, after social security taxes have been deducted from the gross amount of the termination pay, I understand that I will be required to make personal payment of any balance due. (Please see the example below.)

TERMINATION PAY OUT-OF-POCKET EXPENSE CALCULATION EXAMPLE:

Termination Pay Amount		\$5,000.00	
Less FICA/Medicare (7.65%)		<u>\$ 382.50</u>	
Net Amount (Tax Deferred)	=	\$4,617.50	
Your Cost for This Option		\$5,250.00	(Per Estimate of Benefits)
Out-of-Pocket Expense		\$ 632.50	(Payable to TRS)

- If I die prior to termination of employment, this binding, irrevocable election shall be carried out in accordance with the executed Termination Pay - Irrevocable Election Form. If there is no termination pay, the election is void upon my death.

EMPLOYER NOTES:

- Employee contributions deducted from termination pay must be paid from the same source as compensation is paid.
- Employer contributions will be paid from the employer's retirement fund.

Distribution: Mail Original “Termination Pay – Irrevocable Election Form” to the TRS
Photocopy Retained by the Employer
Photocopy Provided to the Employee